

Our Leaders



WAL*MARTWATCH

April 1, 2005

At our Year End Meeting in Kansas City, I answered several questions from managers. Here is a question that has come up a lot about health insurance for retirees. When reading this question, however, I noticed something else in the way it was asked that concerned me. I typically don't answer a question without attributing it to the person who asked it, but for the sake of respecting this individual, I did not use his name at the meeting. Thanks for reading Lee's Garage and for sending in your questions. I'll post more questions from our Kansas City meeting over the next several weeks. – Lee Scott, President and CEO



Q My associates – especially the long-term ones – would really like a full explanation as to why we as the largest company on the planet cannot offer some type of medical retirement benefits or access to some type of reduced benefit. All we really get aside from our hard-earned profit sharing and 401(k) is a discount card. Please at least give our folks a reasonable explanation as to why we can't do something for them in their golden years. – Store Manager

A That's a big question. I imagine everyone in here wishes we could answer "Yes, tomorrow we will have retiree medical benefits." One of the things said about General Motors now is that General Motors is no longer an automotive company. General Motors is a benefit company that sells cars to fund those benefits. Companies have made commitments to retirees that they're now struggling to understand how to fund. They're going to the government and saying, "Can you participate in the pensions?" For example, it is a terrible burden on the aviation industry that is not allowing them to get back on their feet.

We don't operate in a vacuum. We operate with competitors – Dollar General, Target, Best Buy and others. If we create billions of dollars of obligations to our 1.2 million people, those dollars have to be reflected in the price of the merchandise, don't they? If it were only Wal-Mart selling to customers, maybe that wouldn't matter. But if we're not competitive, then none of us has the kind of opportunities we have today. If we're not competitive, we don't exist. We have to operate in the environment we're in today. So we do not have retiree health benefits, and we will not have retiree health benefits unless the industry as a whole changes, or unless government somehow gets involved in what is today a health-care mess in this country.

The second part of this question really bothers me. If you put both parts of the question together, and you start picking the words out, you can tell this is a store manager who has a problem.

This is a store manager who needs to talk to his district manager, regional vice president, Mike Duke, Eduardo Castro-Wright, me or someone. What bothers me is that this is a store manager who's running the store meetings in the morning. If this is how he feels and how he expresses himself, I worry about him representing all of us in management to his associates.

Wal-Mart owes managers certain things: We owe managers an explanation, the opportunity to know why we do the things we do. We owe you as manager an opportunity to advance your career and to take care of your families. But you have an obligation to us also. And that obligation as a manager is to represent this company.

I would guess that this is the kind of manager who, when the district manager calls to tell him he needs to spend his labor hours on Saturdays where they're needed, this manager goes to his associates and says, "I don't want to do this, but the district manager is making me move you to Saturday." When you understand what has to be communicated and you understand why, you can take it upon yourself to say to your associates, "We need to take care of our customers on Saturday."

When you understand what needs to be communicated and why, you can tell your associates the company cannot pay retiree health-care benefits because this is what will possibly happen to this company if we do and this is the environment that we work in. And quite honestly, this environment isn't for everyone. There are people who would say, "I'm sorry, but you should take the risk and take billions of dollars out of earnings and put this in retiree health benefits and let's see what happens to the company." If you feel that way, then you as a manager should look for a company

where you can do those kinds of things. If you can't get past that, I understand - you should probably make a different decision.

But I've got to go to bed at night knowing that when you have your morning meeting the next day, that you're not only telling the truth about this company, but that you as a manager are representing us well. Is that fair enough?

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